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Automotive News

June 18, 1990

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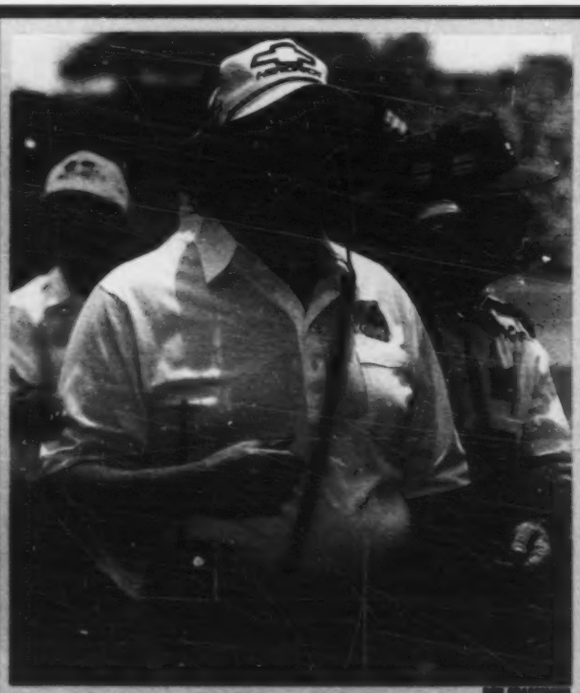

"What I've done all my life in the car business and in racing is take advantage of opportunities," says Rick Hendrick.

THUNDERING SUCCESS

Rick Hendrick steers 1 flick, 31 dealerships and 4 racing teams, but he's still in the pits

By Michelle Krebs
AUTOMOTIVE NEWS STAFF REPORTER

CHARLOTTE, N.C. — On a steamy Sunday afternoon, J.R. Hendrick III is exactly where he wants to be. In the pits.

In the pits of the Charlotte Motor Speedway, with headset strapped over his Chevy cap, Hendrick is acting crew chief for his NASCAR racing team. But this isn't your run-of-the-mill crew guy.

By 8:30 a.m. Monday, a suit-clad Hendrick, 40, is chairing the executive meeting of Hendrick Management Corp., of which he is sole owner. The holding company owns 31 dealerships, a motorsports operation, sportswear company and various parcels of real estate.

One of the nation's largest auto dealers, Hendrick presides over an auto retailing chain that is expected to ring up about $850 million in sales this year, selling more than 60,000 vehicles. Within the next year or so, he will add three Saturn locations, making him one of the largest dealers for General Motors' newest franchise.

But this isn't your run-of-the-mill super-dealer, either.

Later in the week, Hendrick jets to Los Angeles for an interview with "Entertainment Tonight" concerning the soon-to-be-released movie, *Days of Thunder*. Hendrick served as technical adviser on the stock-car racing movie starring Tom Cruise and ended up a prototype for one of the film's characters.

Back in Charlotte later that week, Hendrick oversees preparations for a major Winston Cup NASCAR race. He has four NASCAR teams.

Despite the frenetic pace, the man whom everyone knows as just "Rick" remains the same calm, down-to-earth guy that friends knew in the days before fame and fortune struck.

Says Hendrick in a gentle Southern drawl: "I'm just one of the guys. I'm one of the guys in the car business and one of the guys with the racing teams." Now he's one of the guys in the movies.

It began four years ago when Hendrick took Tom Cruise and Paul Newman, both race car drivers and actors, to tracks in Charlotte and Daytona Beach,

see HENDRICK, page 28

Chevy cuts Ford sales lead; surge by Geo is big factor

By Kathy Jackson
AUTOMOTIVE NEWS STAFF REPORTER

DETROIT — Chevrolet is counting on some rookie car models to prevent crosstown rival Ford Division from winning its fourth consecutive World Series of Sales.

Ford dethroned Chevy as the nation's car-truck sales champion in 1987 and repeated in 1988 and 1989. Chevy figures that's more than enough.

Explorer gaining on Blazer, Page 43

But based on the first five months of this year, the 1990 contest will probably go down to the wire.

Chevrolet has taken the lead in car sales with its fresh Geo line and a surge by the year-old Lumina. Ford's big lead in light trucks has only partly compensated for lost sales of the Escort during model changeover and falling sales of most other Ford nameplates.

Ford Division's solid lead has dwindled. As of May 31, its total vehicle sales were 1,174,572, compared to 1,153,777 for Chevy.

The current 20,795-vehicle Ford lead is a far cry from the 143,282-unit advantage it held at this time last year.

And Ford's lead is all on the light-truck side, where it has an edge of 51,088. In car sales — domestics and captive imports combined — Chevrolet has a lead of 30,293 where a year ago May it was behind almost 80,000.

Chevy General Manager Jim Perkins will not predict when, or if, Chevy will regain the overall lead, but he said the division does have a game plan.

"Our whole idea about life at Chevrolet is to play offense, not defense," he said. "In this day and age, you cannot play catch-up or play defense."

Chevy has either narrowed the gap or taken the sales lead in nearly every category. The biggest

see BATTLE, page 43

DIVORCE?

Chrysler's split with Renault over JJ could open door to Fiat, or someone

By Mary Connelly and Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTERS

The unraveling of Chrysler Corp.'s relationship with Renault is expected to lead the U.S. automaker to make a global alliance with a new partner.

Chrysler and Renault said last week they have terminated the $500 million, 50/50 joint venture to produce and distribute a mini sport-utility code-named JJ.

Italy's Fiat Auto S.p.A. is considered within the industry as Chrysler's most likely new partner.

Advertising Age, a sister publication of *Automotive News*, reports today that Chrysler and Fiat are currently involved in "intense negotiations." The publication did not specify the nature of the talks.

Spokesmen for Fiat and Chrysler would not confirm any new meetings between the two companies.

Speculation within the industry has ranged from the possibility of Fiat taking an equity stake in Chrysler to the two automakers making distribution and product-development agreements in North

see CHRYSLER, page 44

Chrysler-Renault relationships
Renault has exclusive sales and distribution right for Jeeps in France, Italy, Spain and Portugal.
Chrysler buys Renault components, including engines, for Eagle Premier and Dodge Monaco built in Bramalea, Ontario. Will sell at least 300,000 cars by 1992 or pay penalty.
Terminated joint ARCAD venture to build the JJ mini sport utility in Valladolid, Spain and Toledo, Ohio. Chrysler may do vehicle on its own at Toledo.

24-hour production — the next step

Europe's automakers hope to build on GM's success in Spain

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

FRANKFURT, West Germany — European carmakers are turning to round-the-clock assembly to boost capacity without adding greenfield plants that could become white elephants when Japanese makers have free rein in Europe.

General Motors, which two years ago launched in Spain what was then the world's only 24-hour operation, now plans to add third shifts to at least two more European car plants. In addition, Automobiles Peugeot is discussing night shifts with unions at two French plants.

Labor relations breakthroughs in Europe are making triple-shifting possible. Volkswagen AG, Regie Nationale des Usines Renault S.A. and Rover Group have reached night-shift agreements with unions this year.

Fiat Auto S.p.A. is considering three-shift operations — principally at its two assembly plants near Turin — but has not begun discussions with local unions.

Last week, GM's Corsa supermini plant in Zaragoza, Spain, was

see 24-HOUR, page 45

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Brazil awaits rules

President's 5-year plan due this week

By Rik Turner
STAFF CORRESPONDENT

SAO PAULO, Brazil — Rules covering the auto industry will figure prominently in President Fernando Collor de Mello's announcement June 23 of his government's industrial policy for the next five years.

The president will make a keynote policy statement, laying out the guidelines for the administration's plan to open and modernize the economy between now and December 1994, when his term in office ends.

June 23 marks Collor's first 100 days in office. It has been an eventful period for the auto industry, starting in mid-March when the government froze $110 billion worth of deposits and investments.

The liquidity squeeze caught the industry with 30,000 vehicles in stock and led to workers being put on paid leave for six weeks.

But the squeeze also led to a spate of dealer markups — illegal in Brazil — on some cars. An irate Collor responded by opening the market to imports for the first time since 1976. While the government set an import tax of 85 percent, it threatened to reduce it if mark-ups did not disappear.

Collor's bold efforts at tackling Brazil's economic problems has led to an unprecedented level of interest by major automakers in establishing manufacturing facilities in the country.

Toyota Motor Corp. is considering a major expansion of its small facilities, Peugeot S.A. was reviewing prospects in Brazil last week and delegations from Nissan Motor Co. and Regie Nationale des Usines Renault S.A. are due shortly.

The government came under intense lobbying to find an outlet for the 30,000 cars in the makers' yards. It responded by freeing $800 million to $900 million in blocked funds belonging to the *consorcio*, the consumer pools responsible for about 40 percent of new-car sales in Brazil.

Prior to the Collor Plan, industry had geared up to produce mainly more sophisticated versions of each model, including large numbers with optional extras, as a way of upping unit value.

"The industry's yards were full of luxury models that traditionally have a slower turn-around," commented Romulo Monteiro Filho, president of the Volkswagen dealer association.

The consortia, on the other hand, buy no-frills standard versions.

The industry took 30,000 orders from the consortia and received the unblocked payment. But it sold the majority of its stocks to the dealer networks, going so far as to offer

see BRAZIL, page 46

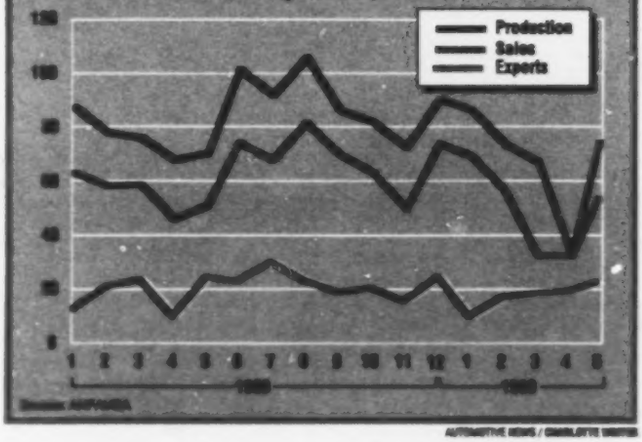
BRAZILIAN VEHICLE SALES

Manufacturer	Jan-May 1990	Jan-May 1989
Cars, light-trucks		
Fiat Automoveis	29,334	28,653
Ford	51,574	55,246
General Motors	63,542	74,515
Gurgel	1,101	802
Toyota	1,765	1,654
Volkswagen	83,253	98,263
Others	20	46
Total	**230,589**	**259,179**
Trucks		
Agrale	573	552
Ford	3,845	3,541
General Motors	1,048	1,143
Mercedes-Benz	5,850	7,317
Scania	1,496	1,332
Volkswagen	3,047	1,724
Volvo	927	466
Total	**16,786**	**16,075**
Buses		
Mercedes-Benz	3,075	2,789
Scania	425	511
Volkswagen	43	29
Volvo	184	190
Total	**3,727**	**3,519**
Total vehicles	**251,102**	**278,773**

SOURCE: ANFAVEA

Brazilian auto industry

Production and home market sales in Brazil plunged this year after the March anti-inflation package was imposed.



Source: ANFAVEA

AUTOMOTIVE NEWS / CHARLOTTE SMITH

SALES DIP: *Big 3 can't sustain late-May upturn*

By Kathy Jackson
AUTOMOTIVE NEWS STAFF REPORTER

U.S. car sales continue to seesaw.

While late May brought sales increases for all domestic and Japanese transplant automakers, the first 10 days of June were not so fruitful.

In the early June period, which had eight selling days compared with nine last year, 241,953 vehicles were sold, a 22.59 percent decline from last year. Car sales numbered 149,813 and were down 24.66 percent. Truck sales totaled 92,140, off 18.96 percent.

Because of the difference in the number of selling days, the combined daily selling rate for cars and trucks dipped 12.91 percent.

The Big 3 automakers experienced substantial car-sales declines, while all the transplants were up.

Chrysler Corp.'s car sales dropped 25.99 percent. Only its Chrysler marque posted an increase.

Dodge Division was down the most with a dip of 41.92 percent. Dodge Daytona sales slipped 66.19 percent. Only 201 Eagle Premier models were sold in early June, an 83.87 percent slide from last year.

Ford Motor Co. and General Motors were down more than Chrysler on a percentage basis. Ford's cars sales declined 26.99 percent, and GM's slid 29.08 percent.

Cadillac was GM's only gainer at the divisional level. Pontiac's sales tumbled the most — 37.45 percent. Every Pontiac nameplate shared in the sales decline.

Chevrolet's Geo Prizm remained strong with 33.10 percent more sales than in the same period last year.

Every Ford Division nameplate reported lower sales figures. The Lincoln Town Car was the only Ford Motor line to post an increase.

10-DAY SALES

DOMESTIC BUILT CARS

	June 1-10, 1990	June 1-10, 1989
Eagle	882	1,246
Chrysler	5,982	5,373
Dodge	7,092	12,211
Plymouth	5,230	7,094
CHRYSLER MTRS.	**19,186**	**25,924**
Ford	29,769	40,755
Lincoln	6,312	6,780
Mercury	7,081	11,581
FORD MOTOR	**43,162**	**59,116**
Buick	9,744	13,678
Cadillac	5,401	5,075
Chevrolet	31,449	44,052
Oldsmobile	11,447	16,603
Pontiac	12,891	20,609
GENERAL MTRS.	**70,932**	**100,017**
HONDA	**9,854**	**7,788**
MAZDA	**728**	**867**
MITSUBISHI	**1,180**	**835**
NISSAN	**1,517**	**1,308**
SUBARU	**212**	**—**
TOYOTA	**3,842**	**3,282**
U.S. CAR TOTAL	**149,813**	**198,957**
TRUCKS		
Chrysler	55	20
Dodge	11,713	15,065
Jeep	4,479	6,997
Plymouth	3,619	5,542
CHRYSLER MTRS.	**19,866**	**27,624**
FORD MOTOR	**33,184**	**37,142**
Chevrolet	28,727	36,220
GMC	6,936	10,569
Oldsmobile	522	—
Pontiac	721	—
GENERAL MTRS.	**36,906**	**46,789**
ISUZU	**262**	**—**
NISSAN	**1,922**	**2,139**
U.S. TRK. TOTAL	**92,140**	**113,894**
U.S. CAR-TRUCK TOTAL	**241,953**	**312,551**

There were 8 selling days in the period this year and 9 last year.

Mitsubishi, up 41.32 percent, had the biggest gain among the transplants. The other Japanese makers that build cars in the United States reported sales increases of 9 percent to 20 percent for early June.

Sales of light trucks declined for each of the four manufacturers that produce those vehicles in the United States. The dips amounted to 10.14 percent for Nissan, 10.66 percent for Ford, 21.12 percent for GM and 28.08 percent for Chrysler.

Toyota studies assembly plant for Brazil

By Rik Turner
STAFF CORRESPONDENT

SAO PAULO, Brazil — Shinji Tomie, president of Toyota do Brasil S.A., confirmed that Toyota Motor Corp. is carrying out a feasibility study for a $1 billion plant to produce four-wheel-drive sport-utilities in Brazil.

The news came a few days before a heavyweight delegation from Peugeot S.A. arrived in Brazil to review possible production in the country. The Peugeot mission will be followed by similar tours by representatives from Nissan Motor Co. and Regie Nationales des Usines Renault S.A.

Toyota's idea is to produce vehicles for Brazil and other South American markets.

The capacity of Toyota's 4x4 plant would be 200,000 vehicles a year. The main condition, according to Brazilian automotive sector sources, is a reduction in the level of local content — currently 95 percent — to 70 percent.

Toyota is concerned that its imported components should include the on-board electronics which are now standard fittings in most models. Entry of these components is still prohibited by the country's protectionist legislation.

Tomie recently returned from a trip to Toyota in Japan, where he set up a deal to import 120 Crown sedans. The development follows the opening of the Brazilian market to imported built-up cars.

Peugeot met with Economy Minister Zelia Cardoso de Mello and Economy Secretary Joao Maia in the capital, Brasilia, last Monday and Tuesday. Their discussions centered on an initial plan to import built-up Peugeot 505s to Brazil. But the two sides also discussed a local assembly plant for the 405 as a second stage, and a full 405 production facility in the long term.

A Peugeot factory in Brazil is likely to involve close ties with its local assembler in Argentina, Sevel.

The Peugeot team was led by Bernard Montel, international affairs director; Luis Zureta Saenz Pena, director for Latin America; and Alain Fromageot, head of industrial programs.

Extra Acura

Honda is proposing a 1991 sedan, left, and coupe to plug the gap between Integra and Legend. The next Legend, due in 1992-93, will move upscale.

2 Subarus slip through passive restraint loophole

By Diana T. Kurylko
AUTOMOTIVE NEWS STAFF REPORTER

WASHINGTON — So you thought all 1990 cars carried either an air bag or automatic seat belts? Well, think again.

Subaru of America Inc. has equipped its 1990 four-wheel-drive Justy and Loyale models only with three-point manual safety belts. That's because the cars are classified as multipurpose vehicles and therefore are not required to have passive restraints.

Subaru has not violated the federal rule mandating passive restraints on all 1990 passenger cars. Multipurpose vehicles are exempt from the passive-restraint standard.

But Subaru appears to be the only automaker to take advantage of what consumer advocates and safety experts call an obvious loophole.

"They may not be breaking the law, but they're violating the spirit of the rule," said Clarence Ditlow, executive director of the Center for Auto Safety. "It's an abuse of the rule, plain and simple."

The National Highway Traffic Safety Administration permits automakers to classify vehicles with off-road capabilities as multi-purpose vehicles. Four-wheel drive is among the criteria.

And even though they have multipurpose-vehicle status, the 4wd Justy and Loyale carry all other safety features required on cars.

see 4WD, page 42

Corrections

A media spending chart in the Automotive News 1990 Market Data Book reported that Yugo spent $93,000 on advertising in 1989. A Yugo spokesman said 1989 advertising volume was $1 million. Data for the chart were collected from Leading National Advertisers in New York. Totals do not include spot radio or dealer advertising.

In the Market Data Book directory section, an outdated address and phone number were given for Automotive Helping Hand, a consultant firm. The new address and phone are: Automotive Helping Hand, Box 457, Casa Grande, AZ 85222. Phone: 602-426-3810.

Mignanelli's rise at Nissan may foreshadow trend

By Kristine Stiven Breese
AUTOMOTIVE NEWS STAFF REPORTER

LOS ANGELES — Last week's appointment of an American — Thomas Mignanelli — as president of Nissan Motor Corp. in U.S.A Inc. could be the tip of the iceberg as other Japanese importers move to give their U.S. operations a more American look.

Europe's importers prefer own, Page 42

In promoting the 45-year-old Mignanelli from executive vice president of operations to president, effective July 1, Nissan becomes the first Japanese auto importer to give an American the presidency of a wholly owned U.S. sales and marketing arm. Mignanelli joined Nissan in 1987 as vice president of marketing, after spending 18 years at Ford Motor Co.

"Japanese sources have indicated to me that we'll see more American executives moved into top jobs because of the dominance of the importers' business in the U.S., and the need to be close to their immediate customers," says William Inglis, senior partner in the Los Angeles office of Korn/Ferry International, an executive search firm. "It's very much under consideration at each of the import companies here in the U.S."

J. David Power III, president of J.D. Power & Associates, an Agoura Hills, Calif., research firm, believes Mignanelli's appointment and others that may follow reflect the consumer-driven nature of today's market. "You have to cut the chain of reporting," Power says. "Those importers that rely on their own native people to make all the decisions about activities in foreign markets are going to find that they're falling behind."

Mignanelli replaces Kazutoshi Hagiwara, who's returning to Japan for an unspecified position with Nissan Motor Co. Ltd. Mignanelli will assume all Hagiwara's responsibilities for managing Nissan's day-to-day operations as well as charting Nissan and Infiniti sales strategies.

Mignanelli will report to Yoshikazu Hanawa, president of Nissan North America Inc., which coordinates 10 U.S.-based subsidiaries. Hanawa, who splits his time between Japan and Nissan North America headquarters in Torrance, Calif., is also chairman of Nissan

see MIGNANELLI, page 42

AUTOMOTIVE NEWS JOE WILSDEN

Maserati's U.S. lineup currently consists of three models based on the nine-year-old Biturbo: the 430, the Spyder and the 228. It reported 280 U.S. retail sales in 1989; its highest U.S. retail volume was 2,023 in 1984.

MASERATI: *U.S. sales dismal at 18 a month; Fiat may provide road to recovery*

By Jim Henry
AUTOMOTIVE NEWS STAFF REPORTER

NEW YORK — Maserati's presence in the United States has dwindled to next to nothing — about 18 sales a month.

Last January's rescue by Fiat has postponed immediate financial disaster, but additional benefits from the deal appear to be at least a couple of years away.

"We've had our ups and downs, but we've hit bottom, and now we're beginning to crawl again," said George Garbutt, executive vice president of sales at Maserati Automobiles Inc., the U.S. importer and distributor in Baltimore, which has 50 dealers.

Garbutt said he expects sales of about 225 cars for 1990. Through May, 89 were sold.

In 1989, Maserati sold only 114 cars to the U.S. importer, 4.3 percent of Maserati's worldwide wholesale volume. In turn, U.S. dealers bought 213 cars, largely from inventory.

The company reported 280 retail sales in the United States last year. Maserati's highest U.S. retail volume was 2,023 in 1984.

The sales famine has been felt at headquarters, where Maserati Automobiles has cut its U.S. work force from 56 in late 1988 to 22.

Fiat represents the best hope for recovery.

In January, Fiat Auto S.p.A. paid Maserati's parent company, DeTomaso Industries in Red Bank, N.J., about $61.8 million for 49 percent of Maserati S.r.L and the Maserati trade name. DeTomaso Industries now owns 42 percent of Maserati S.r.L., and Chrysler Corp. owns 8 percent.

Fiat also bought from DeTomaso 51 percent of the stock of Innocenti Milano S.p.A., which makes Innocenti minicars, and other DeTomaso assets for an additional $16.6 million.

For Fiat, the Innocenti deal provided additional manufacturing capacity, which will be used to make 30,000 Fiat Panda minicars annually. Fiat officials have said Innocenti was their main interest in the DeTomaso Industries deal, not Maserati.

But in the long run, Maserati hopes to benefit from Fiat's clout in purchasing, high technology and research and development.

Maserati S.r.L will work jointly with Fiat's Alfa Romeo on future

see MASERATI, page 26

Fiat deal was just in time for Maserati

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

FRANKFURT, West Germany — Alejandro DeTomaso, the managing director of Maserati, had long thundered against an alliance with Fiat. But amid rumors last year that Japanese companies were negotiating for Maserati, the deal with Fiat was made.

Maserati — a famous but fading Italian marque — thereby joined Jaguar plc, Saab Car Division and AB Volvo as famed European names that lost at least a measure of independence through outright acquisition or by linking with larger companies.

Maserati badly needed a helping hand. The Fiat deal followed a decision by Chrysler and Maserati to scrap production of the Maserati-built Chrysler TC convertible at the Lambrate plant near Milan, Italy.

The luxury-performance maker's already anemic worldwide sales have been steadily declining since the mid-1980s. Sales have dropped from 6,274 in 1984 to 2,651 last year. Maserati production fell 20 percent to 647 cars in the first quarter of 1990 from 810 over the

see FIAT DEAL, page 26

CURRENCY D-DAY

East Germany's July 2 switch will push its industry into free-market competition

By Joseph Boho
AUTOMOTIVE NEWS STAFF REPORTER

LUDWIGSFELDE, East Germany — For East Germany, July 2 is "D-Day."

That's when East Germany adopts the West German mark, allowing its citizens to buy anything produced in the world, and automotive companies like VEB IFA Nutzkraftwagen Kombinat have to confront the realities of free-market competition.

To many East German workers worried about their jobs for the first time, communism never looked better. But to managers who must catch up with a half-century of global competition, communism is still a lingering nightmare. Western firms venturing into the East Bloc are finding a world of low productivity, out-of-kilter prices and inadequate distribution systems.

IFA's sprawling industrial complex dates back to World War II when Daimler-Benz built aircraft for Germany's war effort. Designed for self-sufficiency, the 9,000-employee IFA factory complex handles everything from research and development to final assembly. The company produces 85 percent of the value-added components of the trucks it assembles, including everything except its own rubber, electrical and glass products.

But parts are the major problem for the plant, which turns out 33,000 medium-duty trucks a year.

IFA operates only half as efficiently as a West German Mercedes-Benz plant, according to internal studies by the firms. A task that requires 50 Mercedes workers takes 500 at the East German company, according to IFA General Director Lothar Heinzmann.

The two have a partnership under which Mercedes will supply cabs for IFA's L60 model. Mercedes Vice Chairman Helmut Werner cautious about an eventual takeover of the firm.

Mercedes' first task will be helping IFA with its supply problems.

Under the Communist system, IFA received credits or entitlements to obtain certain materials and components, but it had to

see GERMANY, page 25

How the Reds cooked books

STUTTGART, West Germany — East German communism spawned a perverse kind of balance-sheet corruption, says Mercedes-Benz AG after an extensive study of Eastern European activities.

A company manager might tell his boss, the state minister, that it was a tough year, the competition was dirty and he had lost 100 million East German marks, says Mercedes Vice Chairman Helmut Werner.

The minister would tell the manager he was wrong: He actually made a profit of 500 million marks because he failed to consider the increase in his corporate assets. Under communism, fixed assets aren't depreciated — they're appreciated. The minister would write down 500 million marks.

The corporate manager, who still needed working capital for his business, would present the figure to the bank and get the money he needed. The state minister would then turn around and claim the 500 million marks as the state's because it was corporate profit.

Such tactics saddled East Germany companies with unfair liabilities and have led West German business leaders to insist that the liabilities be eliminated immediately after the economic integration of the two Germanys July 2.

Brazilian minivan killed; GM looks at other options

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

MONTE CARLO — General Motors has apparently abandoned its program for an Adam Opel-engineered global minivan that originally was to be sourced in Brazil and marketed in Europe and the United States.

GM is still bullish on the emerging minivan segment in Europe, but is considering other alternatives. The vehicle originally considered was a high-roof version of the next-generation Kadett. "That spe-

see OPEL, page 49

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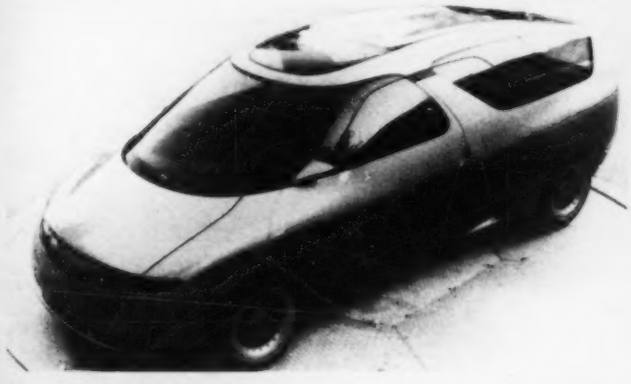

Mazda looks ahead

Mazda Motor Corp. sprang a surprise by showing this vision of a future multi-purpose limousine at the opening of its new $33 million European R&D Center in Oberursel, West Germany. Known as Gissya, the concept vehicle has a transverse-mounted triple rotor engine producing 275 horsepower, six-speed pre-selector gearbox, four-wheel drive and four-wheel steering.

Taiwan dawns as Shangri-La for Big 3, U.S. parts makers

By Glenn Smith
SPECIAL CORRESPONDENT

TAIPEI, Taiwan — This city may not be a well known venue for the debut of new vehicles, but the U.S. auto industry found a better reason to participate in the Taipei international auto show in mid-May.

"Taiwan has become one of the most important export markets for U.S. automakers," said Craig Allen, manager of the trade center of the American Institute in Taiwan and organizer of a contingent of U.S. exhibitors at the show.

"U.S. parts suppliers are also increasing sales rapidly," Allen added. "We are very bullish on this market."

Held at the Taipei Trade Center, the event attracted 303 exhibitors, of which 73 were foreign. U.S. automakers dominated the show, filling one-fourth of the 5.3-acre hall with an American pavilion manned by the Big 3 and 22 U.S. parts and accessory suppliers.

With Japanese and South Korean auto imports banned from Taiwan, U.S. and European makers are tapping a growing market on this island of 20 million.

Passenger vehicles in operation in Taiwan reached 1.87 million last year, double the 956,000 of 1986. New-car sales in 1989 totaled 368,000, and 42 percent were imports.

U.S. automakers are emerging as the chief beneficiaries of the trend. They sold 54,000 cars in Taiwan last year, more than the combined sales of U.S. passenger cars in South Korea and Japan. The GM and Ford totals include a number of vehicles made in West Germany and Brazil.

According to a study by the American Institute in Taiwan, vehicle imports will grow 25 to 30 percent annually for the next five years. Foreign models are expected to account for more than 50 percent of Taiwanese car purchases by 1992. The U.S. share is forecast at 110,000 vehicles.

That optimism was echoed by American exhibitors in the aisles of the Taipei show.

"Next year will be a strong one for U.S. cars," said Arthur Lee, sales and marketing manager of Chrysler Corp.'s international business office in Taiwan. The subsidiary opened in October 1987 to oversee the sales effort of three local distributors.

Exposure at the exhibition will help Chrysler increase sales on the island to 8,500 units this year from last year's 4,500, said Lee.

There are other reasons as well, he said. First, the Taiwanese are flush with cash after decades of saving their earnings. Further, during the late 1980s, many consumers enjoyed enormous capital gains from stock and real estate booms. Spending power is at an all-time high.

Trade friction also has been a factor. In response to U.S. pressure, the Taiwanese dollar has appreciated from 41 to the U.S. dollar in 1986 to a high of 25 last year. Import duty on passenger cars was cut in January 1988 from 55 to 48.5 percent, in accordance with the government's Auto Industry Development Program.

The duty was reduced again last January to 40 percent and is scheduled to drop to 30 percent in 1991. "That (last cut) will mean a 7.1 or 7.2 percent reduction in retail price," said Lee.

"The sale of GM cars took off in 1986," said Frank Lien, advertising and promotion manager of GM Taiwan Inc. "The market (here) for American cars was not really that significant until three years ago."

Like Chrysler, GM is bolstering long-established Taiwan market channels by forming a local subsidiary of the U.S. parent. Established last August, the 15-person operation is responsible for parts, distribution and marketing through 200 sales outlets of its distributors. According to Lien, GM Taiwan sold 34,000 cars last year, including its Brazilian pickup (GMT 500) and the West German Opel Kadett.

> "The market for American cars was not really that significant until three years ago."
>
> **Frank Lien**
> GM Taiwan Inc.

That import figure surpassed that of Ford Lio Ho, which last year imported 15,548 American-made Sables and West German-made Scorpios and Sierras. But for Ford's Taiwanese operation, that was merely a bonus.

Ford Lio Ho was founded in December 1973 and has become the island's largest automaker. Last year, it sold 94,553 Taiwan-made (50 percent local content) passenger cars on the island.

In 1988, Ford Lio Ho surpassed the former leader, Yue Loong, which is 25 percent owned by Nissan Motor Co. Ltd. Ford Lio Ho had 31.4 percent of sales of Taiwanese vehicles last year compared with Yue Loong's 20.8 percent.

Ford Lio Ho's success in the local market hides its recent failure to sell its Taiwan-made Mercury Tracers in Canada.

From 1986 to 1988, 17,000 Taiwan Tracers were exported to Canada, but the appreciation of the Taiwan dollar ended the program.

Yue Loong, too, failed to develop its planned export program for the Feeling 101 model.

Together, Ford Lio Ho and Yue Loong produced 52.2 percent of the Taiwan-made vehicles sold on the island last year. The remaining sales of Taiwanese vehicles — 149,863 units — were divided among eight automakers.

All are joint ventures with foreign makers. They are China Motor and Mitsubishi Motors Corp.; San Yang and Honda Motor Co.; Yue Tyan and Daihatsu Motor Co. and Automobiles Peugeot; Sanfu and Regie Nationale des Usines Renault; Kuo Ziu and Toyota Motor Corp.; Chinese Automobile and Automobiles Citroen; Tai Ching and Fuji Heavy Industries; and Prince Motor and Suzuki Motor.

That makes the persistent rumors that GM is considering assembly operations here all the more surprising. Two years ago, the reports linked GM with Yue Loong. They were replaced last fall by tales of negotiations for a $100 million joint venture with Chinese Automobile Co.

"You can read at least seven or eight different stories in the papers about our prospective partners," said Lien, "But there has been no official announcement about local assembly, so how could we have chosen (a partner)?"

Observers here find it hard to understand why GM would want to invest in manufacturing in Taiwan. While the Taiwanese market is growing, it is small and already crowded. In addition, export efforts by Yue Loong and Ford Lio Ho failed.

One factor in Taiwan's favor is greatly strengthened commercial links with mainland China. The government in Taipei has been progressively opening indirect business channels with China.

Last year, indirect two-way trade between Taiwan and China was worth $4 billion, and Taiwan companies have invested — via third countries — more than $1 billion on the mainland. Taiwanese carmakers — including Yue Loong and Sanfu — are conducting feasibility studies for mainland joint ventures in manufacturing, sales and service.

The question being considered here is whether Taiwan could some day be the gateway to China for Western multi-nationals. That is a topic discussed in just about every industry here these days, and the auto industry is no exception.

Taiwan industrialists are dreaming of a China Triangle of Taiwan, Hong Kong and China, potentially the world's largest market and a counterweight to any protectionist trends in the United States and the European Community.

MARKET SHARE OF TAIWAN AUTO MANUFACTURERS

	1986 Percent	1987 Percent	1988 Percent	1989 Percent
Yue Loong (Nissan)	37.8	32.0	25.0	20.8
Ford Lio Ho	17.9	21.6	27.9	31.4
China Motor (Mitsubishi)	15.0	11.6	12.5	12.8
San Yang (Honda)	12.5	15.0	13.9	12.4
Yue Tyan (Daihatsu)	8.5	11.7	12.2	11.6
Sanfu (Renault)	8.3	8.1	7.7	5.6
Kuo Ziu (Toyota)	—	—	0.8	4.2
Chinese Auto (Citroen)	—	—	—	1.1
Tai Ching (Subaru)	—	—	—	0.1

Joint venture partners in parentheses

TAIWAN AUTOMOBILE SALES

	1986	1987	1988	1989
Taiwan-built passenger cars	111,516	157,394	184,203	210,375
Imported passenger cars	26,980	48,223	131,280	158,000

INDIA: *New foreign ownership rules help whet makers' appetites*

By Sadananda Mukherjee
SPECIAL CORRESPONDENT

NEW DELHI, India — The world's automakers are on the lookout for suitable Indian partners to set up projects. This follows changes in government regulations that would make investment in the country more attractive to overseas companies.

Among those believed to be seeking an entry are Mercedes-Benz AG, BMW AG, General Motors, Volkswagen AG and AB Volvo.

Their interest follows the success of Maruti Udyog Ltd., which has built a tie-up with Suzuki Motor Co. of Japan.

Raunaq Singh, chairman of the Raunaq Group and president of the Federation of Indian Chambers of Commerce and Industry, is a potential collaborator. He claims to have had talks with BMW, GM and VW on possible manufacturing links.

GM has also had some dialogue with C.K. Birla of Calcutta-based Hindustan Motors, manufacturer of Ambassador and Contessa passenger cars. Unconfirmed reports claim one of the Modis group of companies has been in touch with Volvo.

None of the Indian promoters has so far made any collaborative application to the government.

The government's just-announced industrial policy allows automatic increases in foreign ownership of Indian companies up to 40 percent, based on the condition that effective technology transfers take place.

But a stipulation has been placed on imports of capital goods. It specifies that the landed value of capital goods should not be more than 30 percent of a project's entire cost in terms of plants and machinery.

Ajit Singh, the minister for industry, said new policies covering the Monopolies and Restricted Trade Practices and Foreign Exchange Regulation Act will be announced soon.

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Head injuries a risk in Ranger, Prelude crashes

By Diana T. Kurylko
AUTOMOTIVE NEWS STAFF REPORTER

WASHINGTON — Drivers of a Honda Prelude or Ford Ranger 4X4 would "likely" suffer head injuries in a head-on accident at 35 mph, the government said.

But Ranger passengers are "unlikely" to receive head injuries in such a crash, according to the National Highway Traffic Safety Administration. Prelude passengers scored in the "possible" head injury range.

Under NHTSA's New Car Assessment Program, numbers below 750 indicate that head injury is unlikely; between 750 and 1,250, head injury is possible; and above 1,250, head injury is likely. For the crashes, a vehicle is driven into a barrier at 35 mph.

The Prelude had a 1,279 driver-side score and 854 for the passenger.

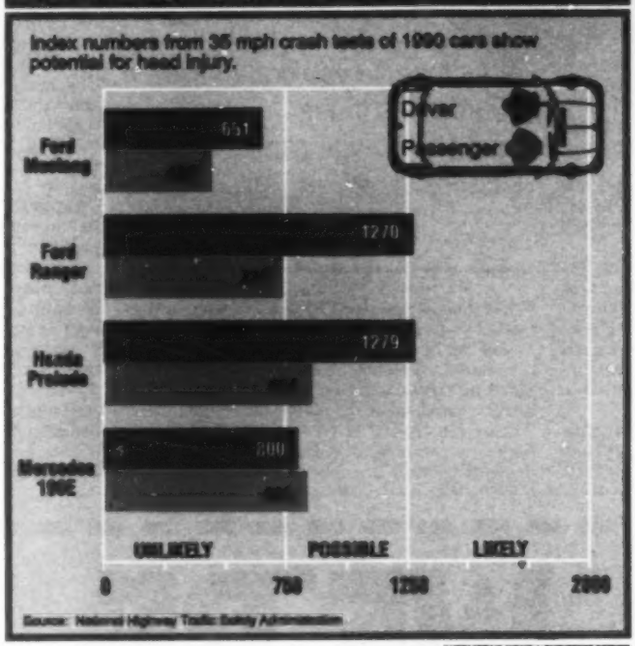
Ranger is the only 1990 light truck crashed so far. It had a driver-side score of 1,270 and passenger score of 736.

The Ford Mustang convertible, classified for comparison with other vehicles weighing 3,500 pounds or more, placed in the "unlikely" injury range for driver and passenger.

The Mercedes-Benz 190E, classified in the same 3,000 to 3,499 pound category as the Prelude, had driver and passenger scores in the "possible" range.

NHTSA said comparisons are meaningful only when made between vehicles of the same type and within an approximate weight range of 500 pounds.

Head injury potential



AUTOMOTIVE NEWS / CHRISTINE DERVIS

Interest rates hobble Canadian vehicle sales

By Steve Meril
SPECIAL CORRESPONDENT

VANCOUVER, British Columbia — Canadian interest rates are at their highest level since the early 1980s, dampening an already dismal year for domestic automakers and dealers.

Government inflation-fighting policies and ongoing constitutional problems — linked to fears of renewed Quebec separatism — have kept lending rates high.

The key Bank of Canada prime rate reached an eight-year high of 14.05 percent in mid-May, easing to 13.72 percent early this month. That compares with an average of 9.64 percent in 1988 and 12.20 percent last year.

Canadian car and truck sales rose 2.5 percent in 1988 and dipped 5.2 percent the following year. Through April, they were down 8.2 percent from year-ago levels.

A forecast by the Royal Bank, Canada's largest financial institution, predicts the Bank of Canada prime rate will average 13.59 percent this year and drop marginally in 1991.

Borrowing costs and recession worries have stiffened consumer resistance when the Big 3 automakers can least afford it. For years they have been fueling sales through costly incentives.

"They're approaching the bottom of the well just when the well should be full of water," said John Winter, a Toronto retail marketing consultant and president of John Winter Associates Ltd.

Bank consumer loan rates typically range from 14.75 percent to 16.5 percent. That makes incentive financing even more important, but the automakers are being forced to support their programs on a lower sales base.

Even during the 1981-1982 slump, when lending rates soared into the 20 percent range, high rates didn't last as long, said Jack Clissold, vice president of sales and marketing at Ford Motor Co. of Canada Ltd.

"It's not so much the rate but the sustained level of the rate that bothers us," he said.

Low interest financing is more popular with Canadian consumers than cash rebates.

Dealers, too, are balking at the higher floorplanning costs — financed at 1 percent over bank prime, said Clissold. A 15 percent prime rate would be a dangerous psychological barrier for both dealers and consumers, he said.

General Motors of Canada Ltd. is offering 9.9 percent financing over 48 months on a wide range of products. Paul Sullivan, the company's director of business strategy, said GM's own cost of money has climbed 2 percent since the latest program began.

Sullivan couldn't supply precise incentive costs but estimated that for an average customer financing $11,500 to $12,000 over 48 months, the 9.9 program currently costs GM between $1,200 and $1,300.

Chrysler Canada Ltd. declined to talk. "It creates a further negative atmosphere," said spokesman Walter McCall.

Import nameplates continue to outperform domestics despite fewer customer incentives, but dealers believe like they are peering over a precipice, said Brian Caldwell, executive director of the 1,016-member Canadian Association of Japanese Automobile Dealers.

"You take another step and you haven't fallen off yet," said Caldwell. "Every point (rise in interest rates) takes people out of the marketplace. Everybody's definitely afraid of next month."

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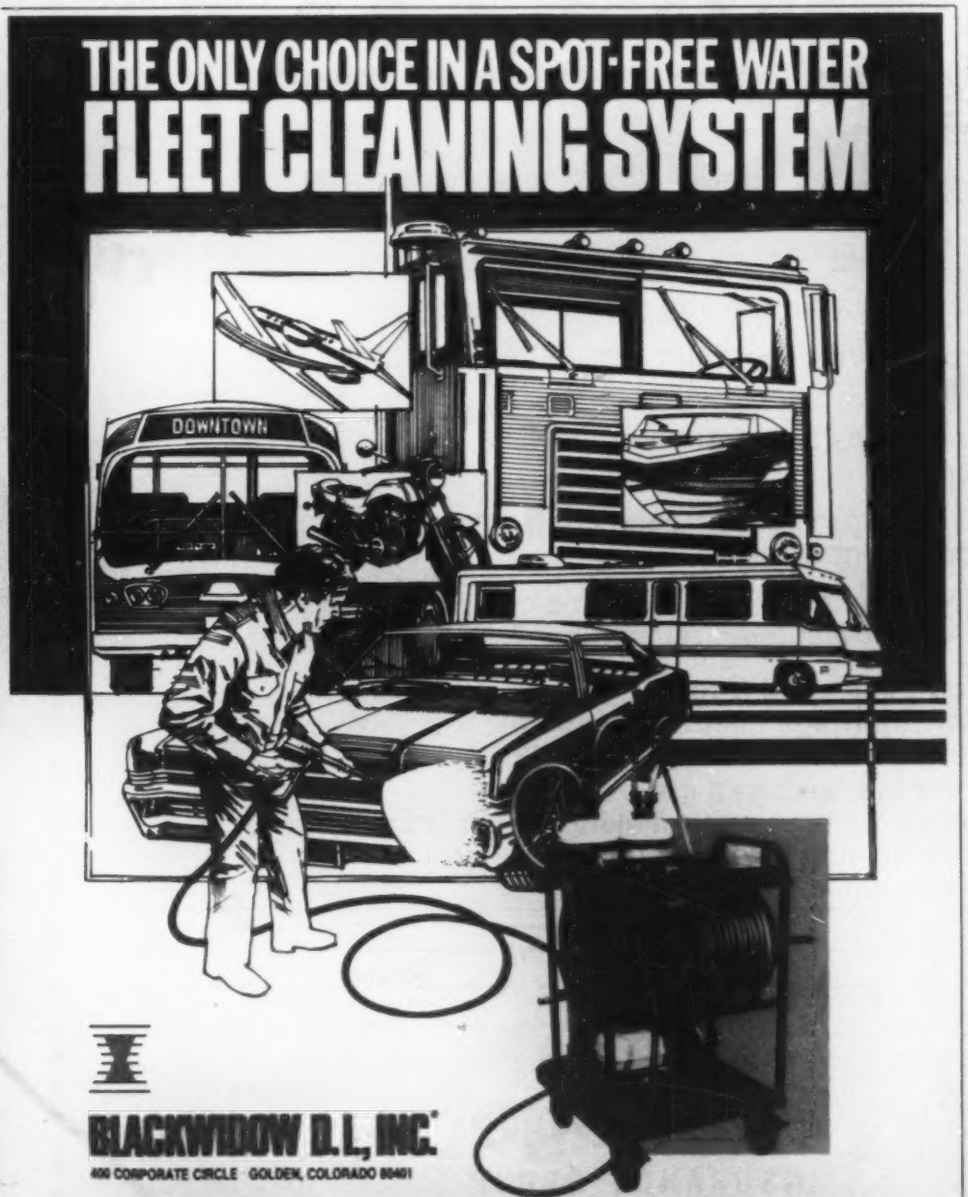

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Car inventories rise

But domestic supply remains at 60 days

By Karen Dellowski
AUTOMOTIVE NEWS STATISTICIAN

Domestic new-car inventories rose slightly during May, but the days' supply on June 1 was 60 days, the same as a month earlier.

Automakers and dealers continue to keep car inventories in line with this year's slow sales pace. The June 1 stockpile of domestic cars rose 3.40 percent to 1,470,537 units from 1,422,136 on May 1. A sales spurt in the last 10 days of May left inventories balanced at month-end.

On June 1, importers had 657,371 cars in stock, the equivalent of a 74-day supply. The stockpile was down 22,509 units from May 1, and the days's supply dipped from 82.

Combined June 1 inventories of domestic and imported new cars at dealerships, enroute to them or on factory lots totaled 2,127,908, a 63-day supply, compared to 2,102,016, a 65-day supply, on May 1. On June 1, 1989, the stokpile of 2,505,689 domestic and imported cars represented a 67-day supply.

Total industry car sales in May were off 9.48 percent from 1989.

Of the Big 3, Ford Motor Co. reported the biggest increase in days' supply — 70 days on June 1, up from 59 a month earlier.

Ford's total car sales fell 20 percent in May, causing an increase in the days' supply of 11 days for Ford and 12 days for Mercury. Lincoln was up six days. The June 1 figures were 72 days for Ford, 71 for Mercury and 60 for Lincoln.

The Ford Probe, which had been carrying a 100-plus days' supply since the beginning of this year, dipped to a 61-day supply.

General Motors' car inventory remained steady, inching up to 63 days from 62 on May 1.

Chevrolet and Cadillac were the only GM car divisions to reduce their days' supply. Chevrolet stocks were down to 55 days from 59 on May 1. Cadillac, which last month held the highest days' supply of any GM car division, reduced its inventories to 63 days from 74.

A key factor for Cadillac was the depletion of Sevilles from 54 days last month to 18 days on June 1.

Oldsmobile 88 and 98 models increased to a 113-day supply, up from 79 days and 82 days.

Other GM models with supplies of more than 100 days on June 1 were Buick Electra and Reatta, Cadillac Allante, Oldsmobile Cutlass Supreme and Pontiac Bonneville.

Chrysler Corp.'s total stockpile dipped to a 60-day supply from last month's 77. All Chrysler divisions shared in the reduction.

The company's highest days' supply was 280 for the Dodge Monaco, but that was down from 294 on May 1.

Other Chrysler models with more than a 100-day supply were Eagle Premier and Chrysler Imperial, but both were lower than on May 1.

Among the Japanese transplants, Honda, Mitsubishi and Subaru reduced their days' supplies during May, although the Subaru figure was 335 days. Mazda was up for the month, and Nissan was unchanged.

On the import side, stocks of Japanese cars dipped to 57 days from 72 on May 1; West German cars dropped to 92 days from 100; and cars from other lands fell to 74 from 85.

Supplies of imported trucks fell to 49 days from 53 on May 1.

IMPORT DAYS' SUPPLIES

	June 1, 1990	May 1, 1990	June 1, 1989
Chevrolet	92	94	119
Chrysler Motors	112	140	158
Acura	61	68	46
Daihatsu	78	67	83
Honda	37	51	25
Infiniti	106	47	-
Isuzu	310	143	119
Lexus	23	19	-
Mazda	54	73	53
Mitsubishi	88	82	24
Nissan	89	101	88
Subaru	148	99	95
Suzuki	227	265	160
Toyota	57	72	29
JAPAN	71	79	61
Audi	149	200	141
BMW	88	73	73
Mercedes-Benz	42	40	54
Mercury	242	73	117
Porsche	70	84	98
VW	108	145	68
GERMANY	92	100	72
Alfa Romeo	86	103	120
Ford	94	82	118
Hyundai	54	72	58
Jaguar	68	68	58
Peugeot	59	84	94
Pontiac	89	114	116
Eagle/Chrysler	207	157	158
Saab	83	74	78
Sterling	63	67	73
Volvo	79	95	73
Yugo	92	95	171
Other Countries	74	85	85
Total Import Cars	74	82	66
Daihatsu	59	53	-
Geo Tracker	96	121	139
Isuzu*	117	93	121
Mazda	27	55	68
Mitsubishi	68	82	74
Nissan*	65	43	82
Range Rover	67	72	42
Suzuki*	109	133	97
Toyota	18	23	50
Dodge	125	118	170
Total Imp. Trucks	49	53	81
Total Imp. Vehicles	68	75	69

*Includes domestic vehicles

DOMESTIC DAYS' SUPPLIES

	June 1, 1990	May 1, 1990	June 1, 1989
Talon	54	63	—
Premier	146	172	128
Total Eagle	80	101	128
Horizon	72	89	92
Laser	71	92	51
Sundance	49	76	93
Reliant	51	31	79
Acclaim	34	39	43
Total Plymouth	48	63	65
LeBaron A	42	62	—
LeBaron J	61	75	83
LeBaron GTS	84	39	248
Fifth Avenue (rwd)	64	32	104
Fifth Avenue (fwd)	68	106	—
Imperial	136	143	—
New Yorker C	58	100	61
Total Chrysler	61	83	76
Omni	66	90	86
Shadow	41	58	74
Monaco	280	294	—
Daytona	84	104	78
Aries	61	33	71
Lancer	88	39	252
Spirit	33	47	53
Dynasty	64	67	37
Total Dodge	55	68	60
CHRYSLER MTRS.	56	72	68
Escort	70	85	94
Mustang	81	82	53
Tempo	74	45	89
Taurus	71	51	54
Thunderbird	78	59	94
Probe	61	113	70
Crown Victoria	74	55	65
Total Ford Div.	72	61	75
Topaz	71	53	65
Sable	76	64	59
Cougar	63	51	79
Grand Marquis	71	67	80
Total Mercury	71	59	74
Continental	51	37	71
Town Car	43	47	72
Mark VII	49	62	50
Total Lincoln	46	48	67
Total L-M Div.	60	54	72
FORD MOTOR CO.	68	59	74
Skyhawk	95	48	103
Somerset	36	36	42
Century	71	65	56
Regal	84	69	83
LeSabre	74	52	80
Reatta	135	101	169
Electra	121	115	169
Riviera	98	95	83
Total Buick	72	60	74
Cimarron	—	—	136
Allante	152	154	105
Seville	18	54	59
DeVille	79	72	67
Brougham	91	104	78
Eldorado	58	62	81
Total Cadillac	63	74	69
Geo Prizm/Nova	73	73	136
Cavalier	51	34	57
Camaro	58	81	65
Celebrity	53	78	46
Corsica/Beretta	52	69	84
Lumina/Monte Carlo	57	68	0
Caprice	58	61	74
Corvette	51	91	109
Total Chevrolet	55	59	62
Calais	91	42	69
Cutlass Ciera	37	77	70
Cutlass Supreme	102	56	123
88	113	79	79
98	113	82	66
Toronado	91	26	186
Total Oldsmobile	69	63	84
Sunbird	58	59	61
Firebird	77	94	89
Grand Am	39	39	65
Pontiac 6000	56	66	61
Grand Prix	71	56	118
Bonneville N	100	69	76
Safari/Parisienne	—	—	94
Total Pontiac	59	56	70
GENERAL MTRS.	61	69	78
HONDA	29	36	17
MAZDA	74	55	57
MITSUBISHI	45	56	102
NISSAN	125	125	110
TOYOTA*	38	41	34
SUBARU	335	352	—
DOM. TOTAL	60	60	67
Subcompact	48	54	54
Compact	55	53	62
Intermediate	61	63	64
Standard	75	67	76
Specialty	71	99	69

*Estimate

MIGNANELLI

FROM PAGE 3

Motor Corp. in U.S.A.

The creation of Nissan North America earlier this year paved the way for Mignanelli's promotion. The move created an umbrella organization with Japanese management that can oversee the activities of individual subsidiaries. Nissan's next largest subsidiary, Nissan Motor Manufacturing Corp. U.S.A. in Smyrna, Tenn., is also headed by an American, Jerry Benefield.

"This is part of our global strategy to think globally and act locally — all over the world. In order to act locally effectively, you should have an American president," says the departing Hagwara. He has been in the United States five years, "the normal tenure" for a Japanese executive in the United States.

Whether other companies follow suit depends on a number of factors, including their management structure, the ages of its executives and the tenure of U.S.-based Japanese presidents.

"More companies may follow this pattern as they get more Americanized with assembly operations here and less dependence on imports, but we don't have any plans like that at this time," says Dick Recchia, executive vice president/general operations of Mitsubishi Motor Sales of America Inc.

A spokesman for American Honda Motor Co. Inc. says the company has no plans to name an American president. "Traditionally the president has been Japanese, but there's no policy or law that says that's the way it has to be. Fundamentally, though, we don't think nationality is that important."

Subaru of America Inc. has had Americans at its helm since it began selling cars in the United States in 1968. But unlike its peers, Subaru has operated as a publicly traded company and has been 49.6 percent owned by Fuji Heavy Industries Inc. Fuji has agreed to buy the rest of Subaru.

Europeans tend to bypass Yanks

By Jim Henry
AUTOMOTIVE NEWS STAFF REPORTER

NEW YORK — Among European importers, only the two Swedish companies have Americans in charge of their U.S. import operations. The major German, French and British importers are run by Europeans.

Joseph L. Nicolato, president of Volvo Cars of North America is the dean of European import executives.

A native of Newark, N.J., Nicolato has been in charge of all Volvo automobile operations here and in Canada since 1981.

"The Swedes feel that the person in charge of marketing cars in a market should be a national," said Volvo spokesman Robert C. Austin.

Nicolato has a direct line to the parent company in Sweden, but he also reports to Bjorn Ahlstrom, president and chief executive officer of Volvo North America Corp. A Swede, Ahlstrom has been in the United States since the early 1970s and has become a U.S. citizen, Austin said.

Saab-Scania of America Inc. is headed by President Robert J. Sinclair, a native of the Philadelphia area. Sinclair worked for Saab from 1958 to 1962, when he switched to Volvo. He rejoined Saab in 1979.

The top ranks of the European importers include many lieutenants who are either Americans or are Europeans who have lived in this country long enough to be considered "lifers."

Mercedes-Benz is an example. Erich Krampe, a native German with experience at Mercedes subsidiaries in England and in Eastern Europe, has been president of Mercedes-Benz of North America Inc.since 1987.

Presidents or European importers also tend to have experience with the export side of the parent company's business. An example is Hans-Jorg Hungerland, president of Volkswagen of America Inc. He was Volkswagen AG's export sales manager before coming to the United States in 1989. And he gained first-hand experience with the U.S. market from 1980 to 1983, when he was VWoA's corporate service manager.

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BRAZIL

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discounts which virtually annulled profit margins, in order to clear the yards.

The industry effectively invoiced for 60,000 vehicles when it was delivering only the 30,000 it had. That led to shortages, particularly of standard models, and illegal mark-ups began to creep in.

The concession to the consortia, while it enabled the auto industry to liquidate its stock and adjust its cashflow, meant the cash generated by sales to dealers stayed in the economy rather than being used to pay taxes and suppliers.

The industry has now largely recovered from the heavy hit of the Collor Plan. Brazilian sales in May rebounded, and export volumes, while down on the previous year, remained relatively stable throughout the upheaval.

Inflation, which reached 85 percent in the month of March, has been cut — but not to the zero which Collor forecast. This month it is expected to be higher than May's 8.5 percent.

Without revealing details of Collor's forthcoming package, Economy Secretary Joao Maia said the amount the automotive sector will be allowed to import each year will be calculated as a proportion of its exports. Tax on built-up imports will be based on factory prices in the country of origin "to avoid under-invoicing," said Maia.

More seriously, Maia hinted that domestic car manufacturers might be barred from importing built-up units. That would mean only other companies and, possibly, private individuals would be able to bring in autos.

What the industry does not want is legislation allowing third parties to close import deals with foreign automakers, particularly the highly competitive Japanese.

Imports could represent a real threat to local industry, especially if, as promised, the government starts to reduce the import tax. "At that point, we close down the plants and go home, and I don't believe that's what the government wants," commented the president of the industry association, Jacy Mendonca.

The export volume indicates an ongoing malaise in Brazil. The country dispatched 90,692 units in the first five months of the year, only 4.2 percent down on the 94,656 of the same period last year.

But by value, the January-May total was down 14.7 percent, from $119.6 million last year to $102 million this. This diminishing competitive edge stems from an overvalued Brazilian currency, which obliges manufacturers to increase dollar prices to cover costs.

The government has been holding down the dollar rate since the Collor Plan, enabling the Central Bank to buy hard currency cheaply and accumulate reserves. The present rate discourages exports and stimulates imports.

The government in Brasilia may need to reverse that situation in the second half of the year in order to generate trade surpluses, particularly if it reaches any kind of agreement with its foreign creditors on debt service payments.

All the turmoil showed how crafty the industry was in managing its stocks, labor and financial assets. Its year-end financial prospects are by no means as bleak as were anticipated at the start of the Collor Plan.

For the second half of the year, expected exchange rate changes should favor the auto market, which is recovering some of its buoyancy in keeping with the rest of the economy.

INCENTIVE WATCH

CUSTOMER INCENTIVES

	Rebates	Finance Rates (Pct.) — Months — 24	36	48	60	Expiration Date
Chrysler Corp. (1990 models)						
Chrysler	$750-$2,000	2.9	7.9	7.9	10.9	July 31*
Dodge cars	$750-$1,500	2.9	7.9	7.9	10.9	July 31*
Dodge trucks	$500-$2,500	2.9	7.9	7.9	10.9	July 31
Eagle	$750-$2,000	2.9	7.9	7.9	10.9	July 31
Jeep	$500-$1,000	2.9	7.9	7.9	10.9	July 31*
Plymouth	$750-$1,500	2.9	7.9	7.9	10.9	July 31*

*Expiration date is Aug. 31 on Chrysler LeBaron, Dodge Shadow and Spirit and Plymouth Sundance and Acclaim. Expiration date is Sept. 30 on Jeep Cherokee Limited and Wagoneer Limited.

Ford Motor Co. (1988-89 models)						
Merkur	$2,000-$4,000					July 9
Ford Motor Co. (1989-90 models)						
Ford cars*	$700-$1,500	7.9	7.9	7.9	10.9	July 9
Ford trucks	$500-$1,500	7.9	7.9	7.9	10.9	July 9
Mercury*	$700-$1,500	7.9	7.9	7.9	10.9	July 9
Continental, Mark VII	$1,500-$2,000					July 9

*Escort, Probe and Mustang, buyers can choose $1,000 rebate with no finance incentive; $700-$750 rebate with cut-rate financing; or no rebate and 2.9/2.9/2.9/3.9 financing. On Tracer, buyer can choose $1,000 rebate with no finance incentive; or $1,000 rebate with cut-rate financing.

General Motors (1990 models)						
Buick	$500-$1,250*	7.9	7.9	7.9	10.9	Aug. 2
Riviera	$2,000	7.9	7.9	7.9	10.9	Aug. 2
Cadillac	$1,500-$2,000					June 30
Chevrolet cars	$700-$1,400	7.9	7.9	7.9	10.9	July 9
Chevrolet trucks	$500-$1,500	7.9	7.9	7.9	10.9	July 9
Olds Toronado	$2,500	7.9	7.9	7.9	10.9	Aug. 2
Cutlass Ciera	$1,000	7.9	7.9	7.9	10.9	Aug. 2
Pontiac	$750-$2,000**	6.9	6.9	6.9	10.9	Aug. 2

*Based on option package selected.
**Dealers contribute $1,000 on Grand Prix in some areas.

General Motors (1991 models)						
Buick	$500-$1,250*		7.9	7.9	7.9	Aug. 2
Chevy Caprice	$750	7.9	7.9	7.9	10.9	July 9
Chevrolet trucks	$750-$1,000	7.9	7.9	7.9	10.9	July 9

*Based on option package selected.

Audi (1990 models)*		4.9	4.9	6.9	9.9	June 30

*—Finance incentive rates effect only if dealer foregoes dealer cash incentive.

Hyundai (1989-90)	$500-$1,700, based on sticker	July 10
Isuzu (1989-90)	$1,000-$1,200*	June 30

*If dealer foregoes dealer incentive.

Mazda (1990 models)		
Cars	$500-$1,000	Aug. 2
Trucks	$500-$1,000	July 3
Mitsubishi (1989-1990 models)		
Cars, trucks*	$500-$2,000	June 30

*Payments vary by regions.

Nissan (1990 models)		
Sentra, base pickup	$500-$1,000	Aug. 2
Peugeot (1990-90)	$1,000-$3,000	None
Sterling (1990 models)	$5,000	June 30

Note: Some makers offer rebates to buyers of 1990 and 1991 models. Most of these programs are credited from the sales bonuses of the limited number of these vehicles still in dealers' hands.

Suzuki (1989-90 models)*		
Swift	$400-$2,000	Aug. 2
Samurai	$1,000	Aug. 2
Sidekick	$1,000-$2,500**	Aug. 2

*Customer rebate or dealer rebate; dealer's choice.
**$2,000 in California.

INCENTIVE WATCH

DEALER INCENTIVES

	Rebate	Expiration Date
Chrysler Corp. (1990 models)		
Grand Caravan, Grand Voyager, Town & Country	$500	July 17
Dodge Shadow, Plymouth Sundance	$750	Aug. 31
Ford Motor Co. (1990 models)		
Taurus SHO	$1,000	July 9
Tempo	$250	July 9
Grand Marquis	$1,000	July 9
Mark VII	$1,000	July 9
General Motors (1990 models)		
Buick Estate Wagon	$1,000	Aug. 2
Corvette	$2,000-$4,000 based on sales	July 9
Chevrolet Geo, Celebrity	$500-$1,000	July 9
Geo Tracker	$1,000	July 9
Oldsmobile Cutlass Supreme, 88, Custom Cruiser, 98, Silhouette	$750-$1,250, based on sales	Aug. 2
Pontiac Firebird	$500	Aug. 2
Audi (1990 models)*	$2,000-$3,000	June 30

*-Dealer has option of foregoing cash incentive and offering cut-rate financing to customer.

Honda (1990 models)		
Civic	$300-$600, quota	June 30
CRX; Prelude	$500	June 30
Hyundai Excel (1989-90)	$200, quota	July 10
Isuzu (1990 models)		
Pickups*	$500-$1,300 based on number sold	June 30
Trooper	$500-$1,400 based on number sold	June 30

*$300 extra on dual models.

Mitsubishi (1989-1990 models)		
Cars, trucks*	$500-$2,000 based on number sold	June 30

*Payments vary by regions.

Nissan (1990 models)		
Sentra, Stanza	$300-$1,000	Aug. 2
Trucks	$1,000	Aug. 2
Axxess	$1,000-$1,500	Aug. 2
Saab (1990 models)		
9000 Series	$1,500-$4,000, quota	July 31
Subaru (1990 models)		
Justy ECVT	$500	July 3
Loyale	$400	July 3
Legacy	$400-$1,200, based on sales	July 3
Suzuki (1989-90 models)*		
Swift	$400-$2,000	Aug. 2
Samurai	$1,000	Aug. 2
Sidekick	$1,000-$2,500**	Aug. 2

*Customer rebate or dealer rebate; dealer's choice.
**$2,000 in California.

Toyota (1989-1990 models)		
Tercel, Corolla, Camry	$300-$700, quota	July 3
Trucks	$500-$900, quota	July 3

Note: Some makers offer rebates to dealers on sales of 1989 and 1990 models. These programs are credited from the sales bonuses of the limited number of these vehicles still in dealers' hands.

Ethanol use hits the skids

This country's great energy-saving adventure with sugar cane-derived alcohol fuel looks all but over.

President Fernando Collor de Mello recently declared that if he were buying a car, he would opt for one with gasoline power.

His infrastructure minister, Ozires Silva, who controls energy policy, barely hides his dislike of alcohol fuel. It costs more than twice as much as gasoline to produce, but must be sold at lower prices to compensate for its poorer performance as a fuel.

In May, alcohol-powered cars represented just 13.6 percent of total sales, the lowest monthly average since the beginning of the 1980s. Just one year earlier, alcohol cars accounted for 58.9 percent of Brazilian new-car sales.

The situation is the result of the supply crisis in the sugar cane alcohol, or ethanol, that powers some 4.5 million vehicles in the country.

The problems date from the end of the last decade, when the government of then-President Jose Sarney allowed alcohol production to run down as cane growers switched to export in the wake of high world prices for sugar.

The Brazilian government introduced the alcohol transport program in the late 1970s.

— Rik Turner

Steady week for output of cars, trucks

By Karen Dotkowski
AUTOMOTIVE NEWS STATISTICIAN

Last week's estimated domestic auto production inched above the prior week's, but truck output dipped slightly.

Weekly production is holding steady in the second quarter as producers contend with slow sales.

Last week, automakers scheduled 146,054 cars, 0.37 percent above the prior week and 2.45 percent above the same week a year ago.

Year-to-date car production is 2,899,802 units, 18.72 percent below the year-ago total.

Truck output was estimated at 93,209 units last week, 1.70 percent below the previous week, but 3.86 percent above the same week last year.

Last week's targeted car output was split among manufacturers as follows: General Motors, 46.50 percent; Ford Motor Co., 23.59 percent; Chrysler Corp., 11.78 percent; Honda of America Manufacturing Inc., 6.13 percent; Toyota Motor Manufacturing U.S.A. Inc., 3.01 percent; New United Motor Manufacturing Inc., 2.94 percent; Mazda Motor Manufacturing Corp. U.S.A., 2.72 percent; Diamond-Star Motors Corp., 1.92 percent; Nissan Motor Manufacturing Corp. U.S.A., 1.07 percent; and Subaru-Isuzu Automotive Inc., 0.34 percent.

Chrysler announced that it will begin capital improvements totaling $17.7 million at its Newark, Del., and Sterling Heights, Mich., plants in July.

The company will add a "hot car concept," which supplies electrical power to vehicles as they move through the assembly process to verify performance of electrical systems. The plant upgrades will affect 1991 models built at the two facilities.

Ford scheduled daily overtime last week at the Wayne and Wixom, Mich., car plants, and at all truck plants except Michigan Truck. Saturday overtime was slated for the St. Louis truck plant.

GM scheduled Friday overtime at the Janesville, Wis., Cavalier plant.

Saturday overtime was scheduled for GM's Detroit-Hamtramck, Mich., plant and Lansing, Mich., A-line facility and at the Pontiac (Mich.) West and Moraine, Ohio truck plants.

Canada trucks highest of 1990

Last week, Canadian truckmakers scheduled their highest weekly output of this year — 21,139 units, 8.36 percent above the previous week and 0.05 percent above the year-ago week.

For the year to date, 436,494 trucks have been assembled, 9.02 percent below last year's total at this time.

Canadian automakers scheduled 26,458 cars last week, 4.98 percent above the prior week and 12.77 percent above the year-ago week.

So far this year, 493,501 cars have been produced, 2.51 percent above year-ago output.

U.S. CAR	Week Ended June 16, 1990	Week Ended June 17, 1989	Week Ended June 9, 1990	June to Date	Jan. 1 to June 16, 1990	Jan. 1 to June 17, 1989
Horizon	0	711	0	0	4,327	9,325
Sundance	2,000	2,574	2,412	4,713	36,701	57,148
Acclaim	3,100	3,928	3,265	6,964	46,451	61,538
Total Plymouth	5,100	7,213	5,677	11,677	87,479	128,011
LeBaron A	0	0	0	43	9,325	0
LeBaron J	1,400	0	1,432	3,057	21,414	55,273
LeBaron GTS	0	0	0	0	0	2,946
N. Yorker C-Class	1,400	1,838	1,650	3,376	19,578	52,934
Fifth Avenue	900	0	892	1,953	15,046	0
Imperial	200	0	272	540	7,842	0
Total Chrysler	3,900	1,838	4,246	8,970	73,205	111,153
Omni	0	708	0	0	4,078	10,694
Daytona	900	0	938	1,993	15,313	46,536
Shadow	2,500	2,189	3,003	5,944	42,704	54,986
Dynasty	2,600	3,107	2,689	5,816	54,266	75,769
Lancer	0	0	0	0	0	1,528
Spirit	2,200	2,432	2,360	5,030	44,355	54,485
Total Dodge	8,200	8,436	8,990	18,783	160,716	243,998
CHRYSLER MOTORS	17,200	17,487	18,913	39,429	321,400	483,162
Escort	5,136	7,628	4,715	10,457	98,011	159,749
Mustang	3,709	4,342	3,689	7,994	69,383	109,338
Tempo	3,318	2,890	3,176	7,019	65,501	75,300
Taurus	8,110	8,041	8,152	17,679	173,883	189,314
Thunderbird	2,816	3,712	2,748	6,031	56,266	82,863
Total Ford Div.	23,089	26,613	22,480	49,180	463,044	616,564
Topaz	1,082	1,510	1,224	2,485	24,487	34,310
Cougar	2,809	2,459	2,750	5,981	38,143	68,837
Sable	2,370	2,496	2,392	5,031	50,401	61,559
Total Mercury	6,261	6,465	6,366	13,497	113,031	164,706
Continental	1,529	1,471	1,533	3,307	27,979	34,676
Mark VII	509	453	495	1,037	11,848	12,307
Town Car	3,062	2,824	3,034	6,586	77,741	64,200
Total Lincoln	5,100	4,748	5,062	10,929	117,568	111,183
Total L-M Div.	11,361	11,213	11,428	24,426	230,599	275,889
FORD MOTOR CO.	34,450	37,826	33,908	73,606	693,643	892,453
Skyhawk	0	0	0	0	0	6,857
Skylark/Somerset	2,362	1,412	1,962	4,723	42,877	28,345
Century	1,673	2,741	1,678	3,619	32,401	59,486
Riviera	600	520	492	1,194	11,332	11,319
Electra	2,210	1,357	887	3,228	17,151	40,637
LeSabre (fwd)	4,253	4,279	4,285	9,211	80,569	68,580
LeSabre (rwd)	308	97	280	633	4,165	11,942
Reatta	211	0	211	456	4,286	3,140
Total Buick	11,617	10,406	9,795	23,064	192,761	230,306
Eldorado	576	1,060	474	1,142	10,436	18,945
Seville	1,374	727	1,129	2,726	18,606	13,925
Brougham (rwd)	0	621	0	0	13,085	18,749
DeVille (fwd)	3,775	4,055	3,729	8,274	81,764	105,264
Allante	89	75	91	194	1,803	1,588
Total Cadillac	5,814	6,538	5,423	12,336	125,674	158,471
Cavalier	8,559	6,933	8,967	18,955	155,520	187,431
Camaro	2,148	2,739	2,038	4,509	31,151	60,582
Celebrity	0	2,164	0	0	0	64,111
Corsica/Beretta	6,165	9,050	6,189	13,335	133,004	203,359
Caprice	5,568	4,111	5,665	12,134	99,814	97,598
Corvette	543	560	557	1,186	11,373	12,696
Total Chevrolet	22,983	25,557	23,416	50,119	430,862	625,777
Calais	2,993	2,213	2,477	5,963	47,769	47,411
Cutlass Ciera	1,870	1,941	1,991	4,166	37,546	41,909
Cutlass Supreme	1,840	0	2,004	4,157	40,138	51,125
Toronado	312	44	259	617	8,562	4,801
88 (fwd)	2,544	2,912	2,697	5,663	48,030	78,665
88 (rwd)	0	183	0	0	2,295	3,986
98	1,425	1,044	1,422	3,121	27,574	39,858
Total Oldsmobile	10,984	8,337	10,850	23,686	211,914	267,735
Sunbird	3,685	3,108	4,586	8,941	72,552	74,332
Grand Am	5,280	4,802	5,145	11,466	95,110	120,280
Firebird	1,363	1,341	1,375	2,949	19,363	33,365
Grand Prix	3,215	0	3,153	6,880	53,351	69,565
Pontiac 6000	1,315	862	1,443	2,995	27,966	40,551
Bonneville	1,853	2,187	1,714	3,889	38,597	47,485
Safari/Parisienne	0	90	0	0	0	2,700
Total Pontiac	16,511	12,390	17,398	36,900	306,939	388,278
GENERAL MOTORS	67,900	63,226	66,880	146,107	1,266,150	1,670,567
DIAMOND-STAR	2,804	1,641	2,782	6,051	86,695	23,345
HONDA	8,950	7,602	8,649	19,024	206,253	182,944
Civic	2,340	2,784	2,395	5,164	57,424	61,882
Accord	6,610	4,818	6,254	13,860	148,829	121,062
MAZDA†	3,978	4,401	3,726	8,329	82,627	111,786
NISSAN	1,570	2,859	1,557	3,374	46,747	56,312
NUMMI	4,300	4,227	4,250	9,409	98,894	94,944
Corolla	2,100	1,614	2,082	4,583	40,840	38,403
Geo Prizm/Nova	2,200	2,613	2,168	4,816	48,054	56,541
SUBARU-ISUZU	495	0	454	1,018	12,021	0
TOYOTA	4,386	3,286	4,417	9,525	103,372	51,986
Total Cars, U.S.	146,054	142,566	145,516	315,872	2,899,802	3,567,500
Total Cars, Canada	26,458	23,461	25,203	56,811	493,501	481,413
U.S., Canada Cars	172,512	166,027	170,719	372,682	3,393,303	4,048,922
U.S., Canada Cars and Trucks	286,889	276,999	285,051	621,070	5,741,544	6,662,587

Weekly estimates may contain some of one or two units due to rounding.
†—Total includes 626-6, 626, and Ford Probe
‡—Estimated

CANADIAN CAR	Week Ended June 16, 1990	Week Ended June 17, 1989	Week Ended June 9, 1990	June to Date	Jan. 1 to June 16, 1990	Jan. 1 to June 17, 1989
Monaco	0	0	0	0	5,132	0
Premier	0	1,299	0	0	2,808	21,216
CHRYSLER MOTORS	0	1,299	0	0	7,940	21,216
Tempo	3,552	3,260	3,161	7,380	61,763	89,432
Topaz	1,248	1,364	1,164	2,693	22,753	29,416
Crown Victoria	2,425	2,409	2,688	5,657	58,290	63,868
Grand Marquis	2,375	2,366	2,196	4,969	53,413	69,642
FORD MOTOR CO.	9,600	9,399	9,209	20,729	196,219	232,358
Celebrity	1,229	969	1,199	2,643	13,890	9,839
Cutlass Ciera	2,509	2,562	2,370	5,348	39,940	80,486
Lumina	5,482	5,371	5,227	11,770	104,765	51,655
Regal	3,318	1,527	2,997	6,936	38,925	37,338
GENERAL MOTORS	12,538	10,449	11,793	26,697	197,520	179,318
HONDA	2,365	1,677	2,277	5,080	50,011	39,023
HYUNDAI	600	0	457	1,184	9,018	0
TOYOTA	1,175	457	1,287	2,724	28,582	5,355
VOLVO	180	180	180	396	4,211	4,143
Total Cars, Canada	26,458	23,461	25,203	56,811	493,501	481,413

U.S. TRUCK	Week Ended June 16, 1990	Week Ended June 17, 1989	Week Ended June 9, 1990	June to Date	Jan. 1 to June 16, 1990	Jan. 1 to June 17, 1989
Caravan	2,100	2,084	2,529	5,069	53,989	53,911
Dakota	1,500	2,051	1,900	3,728	35,978	55,180
Caravan C/V	100	127	243	355	3,390	4,279
Ram pickups	2,300	2,085	2,828	5,620	53,163	55,247
Total Dodge	6,000	6,347	7,500	14,773	146,520	168,617
Cherokee	4,300	5,495	4,235	9,181	80,685	112,904
Comanche	200	660	233	467	3,829	15,633
Grand Wagoneer	300	325	257	611	2,930	6,668
Wagoneer	100	96	155	276	1,974	4,196
Total Jeep	4,900	6,576	4,880	10,534	89,418	139,491
Voyager	1,800	1,934	2,272	4,473	51,079	51,085
Town & Country	50	175	140	200	1,705	1,016
Total C-P Div.	1,850	2,109	2,412	4,673	52,784	52,101
CHRYSLER MOTORS	12,750	15,032	14,792	29,980	288,722	360,209
Aerostar	5,750	4,859	4,668	11,276	97,564	118,591
Bronco	1,180	1,418	1,243	2,618	25,824	40,225
Bronco II	5,577	2,949	6,519	13,134	75,719	64,003
Econoline	4,735	5,033	4,740	10,233	94,791	119,793
Mediums/Heavies	1,510	1,299	1,338	3,055	25,845	32,680
Light trucks	10,683	11,896	10,928	23,359	219,912	289,173
Ranger	5,823	7,604	6,392	13,346	141,332	168,195
Total Ford Div.	35,258	34,858	35,828	77,020	680,987	810,660
FORD MOTOR CO.	35,258	34,858	35,828	77,020	680,987	810,660
Astro	2,875	2,923	3,052	6,272	55,868	81,406
Blazer	359	865	382	783	8,277	13,704
Lumina APV	2,135	0	1,976	4,430	47,259	0
Mediums	325	0	316	696	4,744	1,312
P-Model	580	874	632	1,321	12,046	17,085
Pickups	7,449	7,754	7,377	15,966	185,831	192,582
S-10	4,525	5,638	4,466	9,816	109,602	128,530
S-10 Blazer	4,052	4,114	3,528	8,296	84,110	92,303
Sportsvan/Van	1,725	1,857	1,683	3,677	33,097	46,836
Suburban	1,430	1,882	1,424	3,108	32,071	37,936
Total Chevrolet	25,455	25,707	24,816	54,361	532,905	611,674
Jimmy	110	187	112	242	2,637	4,256
Mediums	892	0	888	1,461	8,271	1,496
P-Model	52	89	64	120	1,430	2,288
Pickups	2,595	2,410	2,582	5,636	58,420	57,400
S-15	950	586	912	2,009	26,289	31,934
S-15 Jimmy	1,525	1,106	1,433	3,236	29,857	28,342
Safari	876	806	894	2,072	19,346	20,933
Suburban	1,162	676	1,278	2,800	15,878	15,131
Vandura/Rally Vans	735	536	625	1,503	11,821	12,751
Total GMC	8,897	6,376	8,588	18,884	184,749	172,531
Olds Silhouette	1,218	0	1,091	2,445	16,593	0
Pontiac Trans Sport	1,098	0	985	2,250	25,824	0
GENERAL MOTORS	36,468	32,083	35,460	77,941	740,071	784,205
NAVISTAR	1,553	1,849	1,637	3,456	34,424	42,027
NISSAN	3,230	2,473	3,228	6,961	72,270	80,896
SUBARU-ISUZU	500	0	430	967	11,783	0
AM GENERAL*	450	450	450	980	10,000	10,530
MISCELLANEOUS*	3,000	3,000	3,000	6,600	72,000	65,600
Total Trucks, U.S.	93,209	88,745	94,823	203,936	1,911,747	2,133,917

CANADIAN TRUCK	Week Ended June 16, 1990	Week Ended June 17, 1989	Week Ended June 9, 1990	June to Date	Jan. 1 to June 16, 1990	Jan. 1 to June 17, 1989
Caravan	3,468	2,994	2,967	7,003	76,591	72,146
Caravan C/V	0	385	0	24	5,619	6,139
Rem Wagon	738	669	767	1,571	13,279	14,788
Ram Van	1,588	1,720	1,818	3,444	28,910	34,560
Total Dodge	5,760	5,758	5,290	12,042	124,399	127,633
Voyager	2,688	2,895	2,245	5,367	61,949	64,063
Total Plymouth	2,688	2,895	2,245	5,367	61,949	64,063
Wrangler	1,500	1,854	1,686	3,446	27,451	40,095
Total Jeep	1,500	1,854	1,686	3,446	27,451	40,095
CHRYSLER MOTORS	9,948	10,507	9,221	20,855	213,799	231,791
FORD MTR. (ft. trks.)	3,648	3,503	3,534	7,904	70,535	82,524
Light trucks	3,827	3,652	3,532	8,039	81,943	75,354
Vans	1,479	1,304	1,323	3,057	23,436	31,949
Total Chevrolet	5,297	4,956	4,855	11,096	105,379	107,303
Light trucks	1,541	1,249	1,344	3,175	31,328	35,763
Vans	480	643	555	1,154	10,630	15,728
Total GMC	2,021	1,892	1,899	4,329	41,958	51,491
GENERAL MOTORS	7,318	6,848	6,754	15,425	147,337	158,794
NAVISTAR	225	270	0	269	4,823	6,039
Total Trks., Canada	21,139	21,128	19,509	44,453	436,494	470,748
U.S., Canada Trks.	114,348	110,873	114,332	248,389	2,348,241	2,613,695

*—Estimated
Miscellaneous includes estimates for Mack, Volvo-White, Kenworth, Peterbilt, Freightliner, Mercedes-Benz, etc.